

Hawaiian Swimming LSC Endowment Fund

The Board of Directors, confirmed by the House of Delegates, authorizes the establishment of endowment fund for Hawaiian Swimming LSC.

- The purpose of the endowment will be to assist athletes, coaches and officials with travel funding for Zone and National level competitions. The Board may decide in any given year the percentages of the funds available for each group, but the priority will be given to the athletes who are in need.
- The Board will decide annually the criteria for award of funding from the Endowment when funds become available.
- Except in a declared state of exigency by the Board, only funds produced by the Endowment will be used for the purposes set forth above.
- The target for the Endowment fund prior to opening its proceeds for use by the LSC is \$1,000,000.00.
- The target for growth in the first 15 years of the Endowment will be 5% or the average return on equity investments for the year in question, whichever is greater. The target for growth from the 15th year will be 4% until the corpus of the Endowment reaches its target amount. Until the target is reached, all proceeds from the investments will be reinvested into the endowment funds.
- Once opened for use by the LSC Board, the available funds for the purpose of the endowment will be equivalent to the return on the investment or 4% whichever is less.
- Once established the House of Delegates will approve a slate of Endowment Governors provided by the Board to serve on the Endowment Committee. Endowment Governors may be Board members, including currently serving officers of the LSC, but at least 25% of the Endowment Committee shall be non-Board members, and 20% shall be athlete members.
- The Endowment Funding will be set up with the firm that USA Swimming uses for their endowment accounts.
- The initial contribution from the Board to the Endowment will be \$130,000.00, with a minimum contribution of \$1,250.00 per month beginning January 1, 2017, until the Endowment reaches the Board's desired target for the permanent corpus.
- The Endowment Governors will be responsible for developing a strategic plan for fund development focused on donations to supplement the LSC payments to the fund.

Endowment: IRS Definition

FSP 117 - 1 deals with "endowments," as defined in the document. Footnote 2 to paragraph 1 of the FSP defines endowment as:

An established fund of cash, securities, or other assets to provide income for the maintenance of a not - for - profit organization. The use of the assets of the fund may be permanently restricted, temporarily restricted, or unrestricted. Endowment funds generally are established by donor - restricted gifts and bequests to provide a permanent endowment for a permanent source of income, or a term endowment for income for a specified period. An organization's governing Board may earmark a portion of its unrestricted net assets as a Board - designated endowment (sometimes called, "funds functioning as endowment," or "quasi - endowment funds") to be invested to provide income for a long, but unspecified, period. A board - designated endowment, which results from an internal designation, is not donor - restricted and is classified as unrestricted net assets.

This FSP uses the term endowment to mean all of an organization's endowment funds collectively, which encompasses both donor - restricted endowment funds and those established by Board designation (herein called Board - designated endowment funds). The latter are sometimes called "funds functioning as endowment," or "quasi - endowment funds."

Thus, whether or not some portion of an organization's assets are covered by the FSP depends on the organization's intention regarding the assets. Since operating reserves are normally not donor - restricted, the question becomes one of the intentions regarding any board - designated amounts. If the board has formally designated such reserves as endowment (or specifically for the long - term production of investment income, regardless of whether the word " endowment" is used), then they are covered by 117 - 1. If the purpose is expressly or implicitly for some other purpose - even though some income may incidentally be earned from temporary investment of the funds - then they would not be covered by 117 - 1.